GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1405
ANSWERED ON:08.03.2002
INSPECTION OF PRIVATE BANKS
RAMJI MANJHI

Will the Minister of FINANCE be pleased to state:

to the reply given to Unstarred Question Nos.538 and 5352 dated July 25, 1997 and December 22, 2000 regarding inspection of private sector banks and internal audit system respectively and state:

(a) the details of the private banks whose Chief Executive officers and their executives were called by RBI in the last three years for a discussion to identify the steps to be taken to eradicate the deficiencies in the system and the outcome of each of those meetings;

(b) whether major shortcomings noticed by inspection teams of RBI including deficiencies in the exercise of delegated authority, appraisal of credit proposals, compliance of RBI instructions/guidelines as well as policies and procedures laid down internally still continue unabatedly in the banks; and

(c) if so, the reasons for RBI not keeping proper track on them giving room for frauds like the Madhavpura Mercantile Cooperative Banks ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a),(b)&(c): Reserve Bank of India (RBI) has reported that during the last three years the Chief Executive Officers (CEOs) of the following 32 private sector banks were called for discussions on deficiencies noticed by the RBI`s inspection department.

1. Bank of Rajasthan Ltd.
2. Bank of Madura Ltd.
3. Benares State Bank Ltd.
4. Catholic Syrian Bank Ltd.
5. City Union Bank Ltd.
6. Development Credit Bank Ltd.
7 Dhanalakshmi Bank Ltd.
8. Federal Bank Ltd.
9. Ganesh Bank of Kurundwad Ltd.
10. Jammu & Kashmir Bank Ltd.
11. Karnataka Bank Ltd.
12. Karur Vysya Bank Ltd.
13. Lakshmi Vilas Bank Ltd.
14. Lord Krishna Bank Ltd.
15. Nainital Bank Ltd.
16. Nedungadi Bank Ltd.
17. Ratnakar Bank Ltd.
18. Sangli Bank Ltd.
19.SBI Commercial and International Bank Ltd.
20. South Indian Bank Ltd.
21. Tamilnad Mercantile Bank Ltd.
22. United Western Bank Ltd.
23. Vysya Bank Ltd.
24. Bharat Overseas Bank Ltd.
25. Bank of Punjab Ltd.
26. Centurion Bank Ltd.
27. Global Trust Bank Ltd.
28. HDFC Bank Ltd.
29. ICICI Bank Ltd.
30. IDBI Bank Ltd.
31. Indusind Bank Ltd.
32. UTI Bank Ltd.

During the discussions, serious deficiencies noticed in the banks` functioning were brought to the notice of CEOs and they were advised to initiate steps for rectifying the deficiencies. The banks were also given time bound action plans for improving their capital adequacy position, asset quality, house keeping etc. The follow up action on the deficiencies observed in RBI`s inspection reports is monitored on an on going basis by the Bank.